

INDUSTRY UPDATE

Biweekly Period Ending March 9, 2002

Phoenix Metro Area

Manufacturing

The awarding of a **multi-million dollar contract** to **Orbital Sciences** to build rockets for the country's missile-defense system will **create up to 60 additional jobs** in the near term for Orbital's Chandler operations (3380 W. Price Road). The Boeing contract, which could add up to nearly \$900 million over the next eight years, will require more **mechanical, electrical, and aerospace engineers** to design interceptor missiles used to knock down long-range nuclear warheads and other weapons of mass destruction. Since the Sept. 11th terrorist attacks, the United States has increased spending for a variety of defense projects, which have led to additional employment at a number of Valley companies (see recent *Industry Updates*). Dulles, Va.-based Orbital has **hired about 100 new employees** at its Chandler operations **in 2002** in anticipation of winning the Boeing contract.

A **manufacturer of paper and plastic bags** has purchased an existing 60,000-square-foot building in Glendale (51st and Missouri avenues) for a **production facility** that will **initially create 75 jobs** and **potentially 100 jobs** within three years. Illinois-based **American Ad Bag** will invest \$3 million in the facility — which will also house administrative and warehouse operations — and pay an average wage of \$13 an hour. No date for the plant's opening has been announced.

The boom, then bust of the telecommunications industry gave rise, then **fall of an Hispanic-owned wire manufacturing company** in Phoenix. **Corella Electric Wire and Cable Inc.**, a subsidiary of Corella Cos., lost its sole customer late last year and re-

cently **laid off its 45 employees**. Corella was started in 1992 when AT&T helped set up a wire manufacturing operation in west Phoenix for Corella in order to fulfill a contract with a California telephone company that required buying material from a minority-owned business. Corella, however, had to agree to only sell material to AT&T. That worked fine until AT&T and its successor (Cable Systems International) sold its business in 1999 to Belden Inc., which forced Corella to sell its cable products to Belden at below-market prices.

A **health-supplement company** will **close** or **sell its manufacturing facility in Tempe, affecting more than 100 workers**. New York-based **Twinlab Corp.**, which lost \$24 million in the nine months ending Sept. 30, 2001, will **transfer operations** at its Tempe-based subsidiary, **Health Factors International**, to **plants in Utah or New York**. If a buyer cannot be found, workers at the Tempe plant will be laid off over the next several months.

Construction

Although experiencing a downturn in 2002, Phoenix-based **Weitz Co.** sees **good times ahead** for the local and state **construction industry**. Having just completed the 80-store Gateway Mall in Prescott (see "Balance of State," below), Weitz has **lined up \$200 million in projects** (a yearly record) for **2003**, including a \$70 million **residential and golf development in Sedona**. Weitz was hurt, however, by the economic downturn and the Sept. 11th terrorist attacks, losing \$50 million in contracts, including the renovation and expansion of Terminal Four at Sky Harbor International Airport.

One project apparently not affected by the

slump is **Del Webb's Anthem community** at the northern edge of the Valley. In three years the master-planned development, which features single-family homes ranging from the low \$100,000s to \$500,000, has **sold one-third** of its planned **12,000 housing units**. Anthem is the first Del Webb community targeted to all age ranges, not just retirees. A lack of interest forced **cancellation** of a planned **high-end housing project** near **downtown Scottsdale**. Developer **Empire Group** dropped plans for **5000 Portales Place**, which featured 114 condominiums and 12 villas, because it failed to garner enough pre-sales to satisfy the project's lender. Empire will begin work on developing a new project for the site on the north side of Goldwater Boulevard between the Finova Building and Scottsdale Fashion Square.

Services

IBM has **selected Phoenix** as one of five worldwide **Globe Data Centers** for **Nestle Corp.** Currently, the Swiss-based food and beverage manufacturer, with 237,000 employees and \$50 billion in annual revenue, has electronic data operations in more than 100 sites. IBM received a \$500 million contract to run the data centers, which will provide a variety of services, such as electronic commerce, sales and business operations, and information technology planning. **No information** was available on the **number of jobs** the Phoenix data center will create.

An India-owned conglomerate will bring a **call center and back-office support operation** to the **Tempe Tech Center** (4501 S. 52nd St.) that will **initially employ 250 workers**, with a **potential** to expand to **450 workers** within three years. **Essar Group**, a \$4 billion company that has interests in steel, shipping, oil and gas, and communications, **bought** a bankrupt **Texas-based telecommunications company** in 2000 and re-named it **e-TeleQuest**. Average salary for workers at e-TeleQuest's operation are projected at \$34,000 a year, a city of Tempe economic development official said.

A Tempe-based dot-com company, which is down to a handful of employees, will **sell its assets** to another company **or close up shop**. **NeoPlanet**, which made special effects "skins" for Internet browsers, at one time employed more than 100 people after it moved to Arizona from New York City in 2000. It's only remaining paying customer for its browser software, Viassary, is Compaq Computer.

Tucson Metro Area

Construction

The Pima County Planning and Zoning Commission gave **approval** to rezoning that would allow a **1,200-unit housing development** in an environmentally sensitive **section of the Santa Rita Mountains near Green Valley**. If the denser zoning of the 1,582-acre property — which triples the number of homes currently allowed in the area — is approved by the Pima County Board of Supervisors on March 19, opponents fear it will set a precedent for future zoning cases. In a separate vote, owners of the property, **Tusk International**, will **request zoning approval** for a **golf course**.

Trade

" 'This is as strong as it gets,' " an elated official from El Con Mall was quoted in the *Tucson Citizen*, when it was announced that the shopping center was one of **two locations** — the other is Tucson Mall — **selected by Krispy Kreme franchisee Rigel Corp.** for new doughnut stores. The 60-year-old Winston Salem, N.C.-based chain, which has several retail stores in the Phoenix area, is an icon to doughnut aficionados. Expect the Krispy Kreme stores, which will **employ about 100 workers each**, to open by the end of the year, if the building-permit process goes smoothly.

A Krispy Kreme store will *not* be opening at the new **La Cholla Plaza** (West Orange Grove Road and North La Cholla Boulevard). But a 55,000-square-foot **Food4Less warehouse-style grocery store** — featuring a

deli and bakery (serving doughnuts) — will **anchor the center** when it opens in the next few months. The shopping development will also feature 11,000 square feet of retail stores, restaurants, and other shops.

Balance of State

Construction

The **city of Prescott** has been on a **growth tear** the past few years the likes of which haven't been seen since the Gold Rush days of the 1870s. Even excluding the recently completed 650,000-square-foot Gateway Mall (see related story in "Phoenix Metro Area," above), **building activity** has been **astonomically high** (2.4 million square feet), with **10 permits** issued for **warehouses and manufacturing facilities** at an industrial park near the city's airport. Prescott economic development officials were also able to **keep two auto dealerships** from leaving the city for larger sites, while work on **redeveloping Ponderosa Plaza** — home to Sears and Penney's before the stores moved to Gateway Mall — will get underway this summer and lead to **300,000 square feet of retail space**. Even 11 vacant buildings in the downtown area — some of which will be renovated — are expected to attract new tenants, officials say.

Transportation, Communications, and Public Utilities

After recently striking down two proposed power plants at environmentally sensitive sites, the Arizona Corporation Commission **approved a 1,000-megawatt, natural-gas power station in Bowie**, about 100 miles east of Tucson near Interstate 10. The project, which will be built in two phases, is expected to **create 400 jobs** during its **two years of construction**, then bring nearly **50 full-time jobs** when completed in 2005. Phoenix-based **SouthWestern Power Group II LLC**, which will develop and operate the facility designed to bring power to 250,000 homes, had a proposed 1,800-megawatt

power plant in Eloy turned down by the commission in late January (see Feb. 9, 2002, *Industry Update*).

Government

To offset higher teacher pay and insurance costs, the **Flagstaff Unified School District** will likely **eliminate 41 teaching positions** for next school year. Teachers affected by the cuts will still have the chance to apply for vacancies due to retirement and resignations. A decision on the downsizing is expected by April 15.

Statewide

Trade

The **number of stores** that financially troubled **K-mart will close in Arizona** has been **revised upward to six from the four** previously reported (see Feb. 23, 2002, *Industry Update*). In addition to the **three stores** in the **Phoenix area** and **one in Safford** that were designated for closure, a **store each in Douglas and Flagstaff** will be shut down. The Troy-Mich.-based retailer, which filed for bankruptcy protection in late January, plans to close 284 stores (out of 2,114) nationally, laying off 22,000 workers. Arizona will have 31 K-marts remaining when the closures are complete.

Government

A current **\$200 million budget deficit** for fiscal year 2001-'02 could force the **closure of 10 Arizona parks**, as well as the **layoff of 10 percent of Arizona's probation officers**. With less than four months remaining in the fiscal year, the Legislature may be forced to cut at least \$4 million from the state's Heritage Fund — which partially funds the State Parks, and Game and Fish departments — causing the **elimination of more than 100 Parks and Game and Fish jobs**. In addition, the **Administrative Office of the Court**, which has already reduced spending by \$7 million, may face cuts of up to \$9 million more, causing the **layoff of 100 to**

200 probation officers. Making matters worse is that the state faces an estimated \$1 billion deficit for fiscal year 2002-'03, which begins July 1.

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